

ANNUAL REPORT JANUARY 31, 1970

CLEVELAND PUBLIC LIBRARY
BUSINESS AND
CORPORATION FILE



CROWLEY, MILNER AND COMPANY
DETROIT, MICHIGAN

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Vice President, Operations—Secretary

DAVID G. STANDART

TRANSFER AGENT

THE DETROIT BANK & TRUST COMPANY

Detroit, Michigan

and

CHASE-MANHATTAN BANK

New York, New York

REGISTRAR—COMMON STOCK

MANUFACTURERS NATIONAL BANK OF DETROIT

Detroit, Michigan

and

CHASE-MANHATTAN BANK

New York, New York

INDEPENDENT ACCOUNTANTS

ERNST & ERNST

Detroit, Michigan

COUNSEL

DYKEMA, WHEAT, SPENCER, GOODNOW & TRIGG

Detroit, Michigan

CROWLEY, MILNER AND COMPANY

FINANCIAL HIGHLIGHTS

	Year Ended January 31	
	1970	1969
Net sales	\$38,023,330	\$38,214,049
Percent increase (decrease) over preceding year.....	(0.5%)	5.5%
Income before income taxes.....	628,149	936,508
Income taxes.....	277,000	493,000
Net income.....	351,149	443,508
Per share.....	0.69	0.87
Dividends.....	152,722	148,480
Per share.....	0.30	0.29
Working capital.....	6,700,386	6,895,219
Long-term debt.....	—0—	315,393
Shares outstanding.....	509,067	509,067
Stockholders' equity.....	9,555,631	9,357,204
Per share.....	18.77	18.38

TO OUR SHAREHOLDERS:

Sales for the current year were \$38,023,330 compared to \$38,214,049 for the prior year—a decrease of 0.5%. This decline in revenue resulted primarily from a substantial decrease in sales at our downtown store. Our suburban stores continue to show satisfactory sales growth, although at a somewhat slower rate than last year.

Net income for the year was \$351,149 or 69 cents per share, compared to \$443,508 or 87 cents per share last year.

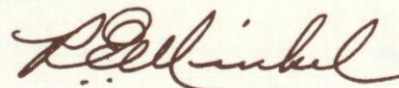
Additions to inventory reserves under the LIFO (Last In-First Out) method had the effect of decreasing net income by 16 cents per share in the current year. This was 5 cents per share less than the inventory reserve required in the prior year when the charges against earnings amounted to 21 cents per share. This method of inventory valuation has an adverse effect upon reported earnings in any period of rising prices by eliminating the inflationary effects from stated inventory values while providing a reserve against any future price declines. Inventory shortages, were substantially higher than last year. Your management is aggressively following a course to curb this loss which plagues the retail industry.

The space in the East Building of our downtown store which had been leased and occupied by the Veterans Administration since December, 1960 was vacated on May 15, 1969. This space has been vacant since that date despite continuing efforts to lease it. The loss of income from rentals affected net income by approximately 11 cents per share.

These operating results generally reflect the downturn in business activity which occurred during the latter half of 1969 and has continued into 1970. An improvement in sales and profits this year is dependent to a considerable degree upon an upturn in the general economic conditions and employment in our marketing area. The continuing decline in downtown sales is a matter of special concern for the future, but we have confidence in our organization and believe that Crowley's is in a sound position to cope with the general slowdown in the economy.

In our continuing efforts to modernize and expand our operations, we are in the process of negotiating an agreement to open a suburban store in a new regional shopping center in 1972. We have completed the remodeling of the Main Floor of our Downtown Store.

We wish to express our thanks and appreciation to our employees, shareholders, suppliers and customers for their cooperation and support.

A handwritten signature in dark ink, appearing to read "R. J. Linkel", with a stylized, flowing script.

President

CROWLEY, MILNER AND COMPANY

STATEMENT OF INCOME

	Year Ended January 31	
	1970	1969
Net sales, including sales of leased departments.....	\$38,023,330	\$38,214,049
Other income.....	88,932	198,119
	<u>38,112,262</u>	<u>38,412,168</u>
Costs and expenses:		
Cost of merchandise and services sold.....	24,647,432	24,723,633
Operating expenses.....	12,701,269	12,584,961
Interest.....	34,700	55,815
Other.....	100,712	111,251
	<u>37,484,113</u>	<u>37,475,660</u>
Income Before Income Taxes	628,149	936,508
Income taxes.....	277,000	493,000
Net Income	<u>\$ 351,149</u>	<u>\$ 443,508</u>
Net income per share.....	\$0.69	\$0.87

STATEMENT OF RETAINED INCOME

	Year Ended January 31	
	1970	1969
Balance at beginning of year.....	\$ 6,607,579	\$ 6,312,551
Net income for the year.....	351,149	443,508
	<u>6,958,728</u>	<u>6,756,059</u>
Cash dividends paid—\$0.30 a share in 1970 and \$0.29 a share in 1969.....	152,722	148,480
Balance at End of Year	<u>\$ 6,806,006</u>	<u>\$ 6,607,579</u>

See notes to financial statements.

BALANCE

ASSETS

	January 31	
	1970	1969
Current Assets		
Cash.....	\$ 871,620	\$ 1,204,103
Short-term investments—at cost (approximate market).....	1,200,000	598,843
Accounts receivable:		
Deferred payment contracts.....	1,652,629	1,899,458
Other trade accounts.....	555,888	628,326
	2,208,517	2,527,784
Less allowance.....	55,000	55,000
	2,153,517	2,472,784
Inventories—generally at last-in, first-out cost determined by the retail inventory method.....	6,026,828	6,830,597
Prepaid expenses.....	559,209	591,439
Total Current Assets	10,811,174	11,697,766
Other Assets		
Equity in 50%-owned parking facility.....	517,292	498,593
Miscellaneous accounts.....	21,790	28,791
	539,082	527,384
Properties—on the basis of cost		
Land (\$135,779) and buildings owned.....	759,791	749,660
Buildings and improvements on leased land.....	5,081,288	4,848,140
Furniture, fixtures, and equipment.....	3,940,889	3,823,842
	9,781,968	9,421,642
Less allowances for depreciation and amortization.....	7,215,805	6,906,648
	2,566,163	2,514,994
	<u>\$13,916,419</u>	<u>\$14,740,144</u>

CROWLEY, MILNER AND COMPANY

SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	January 31	
	1970	1969
Current Liabilities		
Trade accounts payable.....	\$ 2,219,371	\$ 2,596,258
Payrolls and payroll deductions.....	404,401	440,895
Property taxes.....	462,298	483,027
Miscellaneous other taxes.....	139,011	135,320
Income taxes:		
Current.....	365,314	499,617
Deferred.....	205,000	236,000
Current installments of long-term debt.....	315,393	411,430
Total Current Liabilities	4,110,788	4,802,547
 Long-Term Debt —exclusive of current installments		
5½% note payable to insurance company.....	—0—	150,000
5½% term loan payable to bank.....	—0—	165,393
	<u>—0—</u>	<u>315,393</u>
Deferred Income Taxes	250,000	265,000
 Stockholders' Equity		
Common stock, par value \$1 per share:		
Authorized—510,000 shares		
Outstanding—509,067 shares.....	509,067	509,067
Other capital.....	2,240,558	2,240,558
Retained income.....	6,806,006	6,607,579
	<u>9,555,631</u>	<u>9,357,204</u>
	<u>\$13,916,419</u>	<u>\$14,740,144</u>

See notes to financial statements.

SUMMARY OF CHANGES IN WORKING CAPITAL

	Year Ended January 31	
	1970	1969
Additions from operations:		
Net income for the year.....	\$ 351,149	\$ 443,508
Provision for depreciation (straight-line method).....	385,038	374,213
	<u>736,187</u>	<u>817,721</u>
Deductions:		
Dividends paid.....	152,722	148,480
Additions to properties—net.....	436,207	138,859
Decrease in long-term debt.....	315,393	411,430
Other.....	26,698	40,638
	<u>931,020</u>	<u>739,407</u>
Net Increase (Decrease)	<u>(194,833)</u>	<u>78,314</u>
Working capital at beginning of year.....	6,895,219	6,816,905
Working Capital at End of Year	<u>\$6,700,386</u>	<u>\$6,895,219</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended January 31, 1970

Note A—Income taxes

Deferred income taxes arise from differences in the timing of income and deductions for financial reporting and tax purposes, principally (1) the deferment of profits on installment-payment sales for tax purposes and (2) the excess of accelerated depreciation used for tax purposes over straight-line depreciation recorded in the accounts. The provision for income taxes for the year ended January 31, 1970, is comprised of state and city income taxes of \$19,000 and federal income taxes of \$258,000 after reductions of \$46,000 for deferred taxes and \$35,000 for excess provisions of prior years. The investment credit for the year was not material in amount and has been reflected as a reduction of the provision for federal income taxes.

The Internal Revenue Service has completed examination of the federal income tax returns filed by the Company for fiscal years ended January 31, 1962 to 1966, inclusive, and has asserted deficiencies aggregating approximately \$103,000 which are being contested. The company believes that adequate provision for probable adjustments has been made in the financial statements.

Note B—Restriction on retained income

The long-term loan agreements contain various provisions relating to working capital, short-term borrowings, retirement of capital stock, and payment of cash dividends. Under the most restrictive of these provisions, retained income of \$2,006,006 was available for cash dividends at January 31, 1970.

CROWLEY, MILNER AND COMPANY

Note C—Commitments, contingencies, etc.

Leases applicable to the Company's stores expire from 1976 to 2004, including renewal options. Required rentals are based on sales with minimum annual payments of \$976,692. Leases applicable to the main store buildings require restoration of the premises upon expiration of the leases, the cost of which has not been provided for in the financial statements.

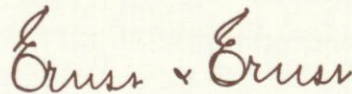
The Company does not have a pension plan. However, it made voluntary payments to selected former employees which aggregated \$75,032 in the year ended January 31, 1970, and \$62,606 in the preceding year. The Company has reserved the right to discontinue the payments at any time. Should the Company choose to continue payments to the present retirees, the present value thereof would approximate \$360,000, after allowance for future income-tax reductions. No provision for future payments has been made in the financial statements.

ACCOUNTANTS' REPORT

Board of Directors
Crowley, Milner and Company
Detroit, Michigan

We have examined the financial statements of Crowley, Milner and Company for the year ended January 31, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying balance sheet, statements of income and retained income, and summary of changes in working capital present fairly the financial position of Crowley, Milner and Company at January 31, 1970, and the results of its operations and changes in its working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Detroit, Michigan
March 31, 1970

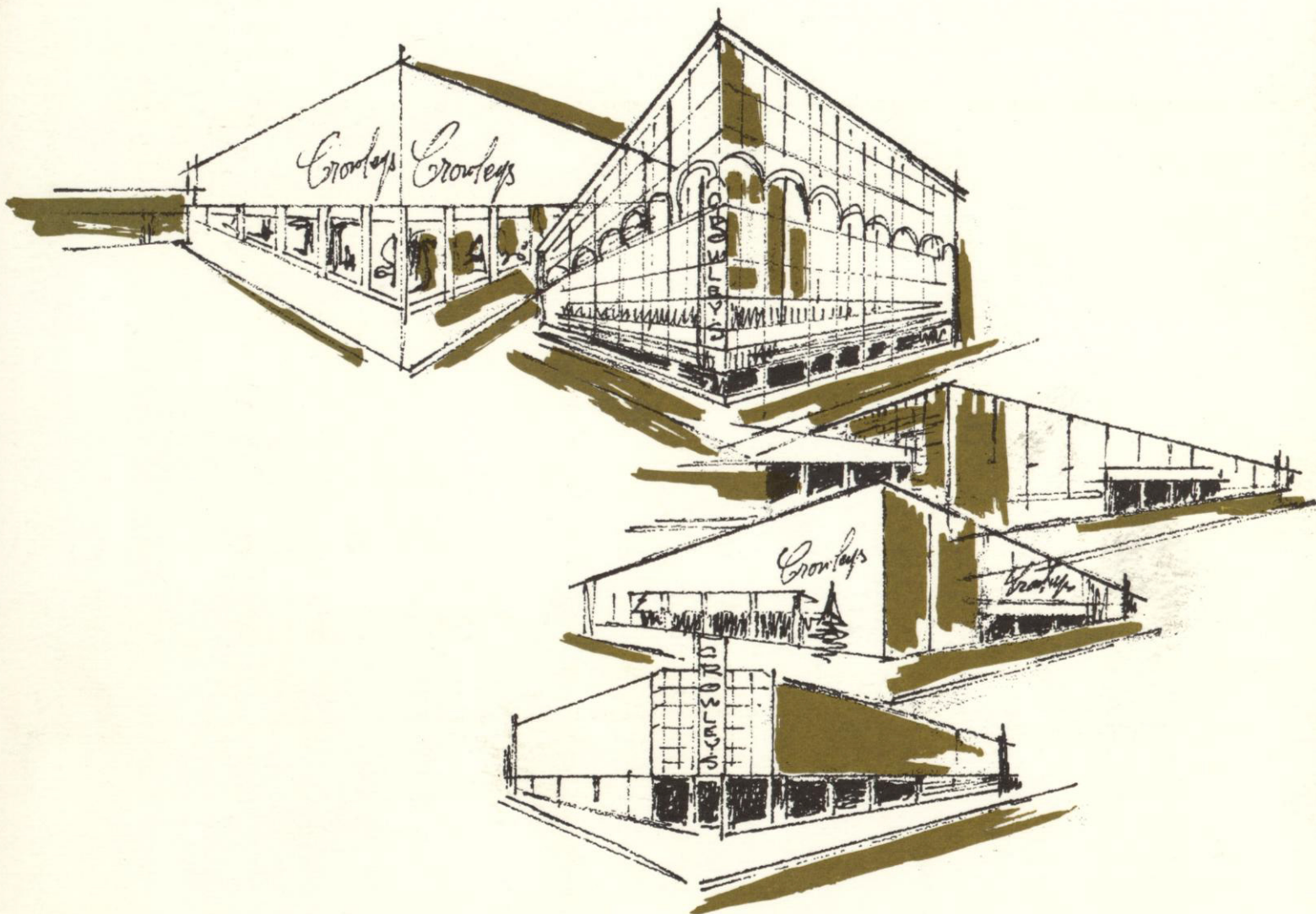
CROWLEY, MILNER AND COMPANY

FIVE YEAR REVIEW

	YEAR ENDED JANUARY 31				
	1970	1969	1968	1967	1966
Operations					
Net sales.....	\$38,023,330	\$38,214,049	\$36,221,414	\$35,630,518	\$32,717,942
% increase (decrease) over preceding year.....	(0.5)%	5.5%	1.7%	8.9%	24.3%
Income before income taxes.....	628,149	936,508	862,786	620,122	615,095
Income taxes.....	277,000	493,000	424,000	304,000	268,000
Net income.....	351,149	443,508	438,786	316,122	347,095
Per share.....	0.69	0.87	0.86	0.62	0.68
Dividends paid.....	152,722	148,480	135,751	101,815	101,831
Per share.....	0.30	0.29	0.27	0.20	0.20
Depreciation.....	385,038	374,213	382,476	391,942	437,896
Interest expense.....	34,700	55,815	79,710	202,162	167,255
Net additions to properties.....	436,207	138,859	64,966	159,018	157,082
Balance Sheet					
Working capital.....	6,700,386	6,895,219	6,816,905	6,527,270	6,378,883
Ratio of current assets to current liabilities.....	2.63	2.44	2.51	2.53	1.95
Inventories.....	6,026,828	6,830,597	6,377,725	6,127,243	5,701,118
Properties—net.....	2,566,163	2,514,994	2,750,348	3,067,858	3,300,782
Long-term debt.....	—0—	315,393	726,823	1,069,139	1,420,701
Number of shares outstanding.....	509,067	509,067	509,067	509,067	509,067
Stockholders' equity.....	9,555,631	9,357,204	9,062,176	8,759,141	8,544,834
Per share.....	18.77	18.38	17.80	17.21	16.79



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